

**CHEROKEE COUNTY
D/B/A CHEROKEE COUNTY
LONG TERM CARE FACILITY
GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-CKC-F7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 22, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Cherokee County d/b/a Cherokee County Long Term Care Facility, for the contract periods beginning October 1, 1998 and for the twelve month cost report period ended June 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Cherokee County d/b/a Cherokee County Long Term Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Cherokee County d/b/a Cherokee County Long Term Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 22, 1999

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract periods beginning October 1, 1998, as required by regulations of the United State Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

CHEROKEE COUNTY LONG TERM CARE FACILITY

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-CKC-F7

	<u>10/01/98- 11/30/98</u>	<u>Beginning 12/01/98</u>
Interim reimbursement rate (1)	\$98.22	\$98.97
Adjusted reimbursement rate	<u>93.48</u>	<u>94.23</u>
Decrease in reimbursement rate	\$ <u>4.74</u>	\$ <u>4.74</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

CHEROKEE COUNTY LONG TERM CARE FACILITY
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-CKC-F7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$43.10	\$49.90	
Dietary		11.42	9.93	
Laundry/Housekeeping/Maint.		<u>8.47</u>	<u>8.11</u>	
Subtotal	<u>\$4.76</u>	62.99	67.94	\$62.99
Administration & Med. Rec.	<u>\$2.88</u>	<u>8.02</u>	<u>10.90</u>	<u>8.02</u>
Subtotal		71.01	<u>\$78.84</u>	71.01
<u>Costs Not Subject to Standards:</u>				
Utilities		3.55		3.55
Special Services		1.19		1.19
Medical Supplies & Oxygen		6.01		6.01
Taxes and Insurance		.23		.23
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$82.00</u>		82.00
Inflation Factor (3.60%)				2.95
Cost of Capital				6.53
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.87
Cost Incentive				4.76
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.88)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$93.48</u>

CHEROKEE COUNTY LONG TERM CARE FACILITY
Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning December 1, 1998
AC# 3-CKC-F7

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Cost Incentive				4.76
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.88)
Minimum Wage and CNA Add-Ons				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$94.23</u>

CHEROKEE COUNTY LONG TERM CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1997
AC# 3-CKC-F7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,335,931	\$ 4,003 (7)	\$ 5,533 (7) 3,404 (9)	\$1,330,997
Dietary	334,201	33,744 (7) 275,189 (8)	290,428 (9)	352,706
Laundry	40,546	8,983 (8)	8,985 (9)	40,544
Housekeeping	151,584	30,952 (7) 37,897 (8)	96,990 (9)	123,443
Maintenance	117,919	17,950 (7) 145,121 (8)	183,251 (9)	97,739
Administration & Medical Records	266,670	98,372 (8)	117,408 (9)	247,634
Utilities	120,223	101,890 (7) 4,485 (8)	116,938 (9)	109,660
Special Services	42,720	-	6,081 (6)	36,639
Medical Supplies & Oxygen	207,762	-	20,194 (5) 59 (6) 350 (7) 1,693 (9)	185,466
Taxes and Insurance	11,479	6,920 (7) 619 (8)	11,922 (9)	7,096
Legal Fees	306	129 (8)	150 (9)	285

CHEROKEE COUNTY LONG TERM CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1997
AC# 3-CKC-F7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	247,999	21,454 (1) 10 (2) 16,628 (8) <u>3,061 (10)</u>	12,479 (3) 16,547 (4) 58,427 (9)	201,699
Subtotal	2,877,340	807,407	950,839	2,733,908
Ancillary	50,926	-	-	50,926
Non-Allowable	1,146,611	16,547 (4) 20,194 (5) 6,140 (6) 889,596 (9) <u>3,061 (10)</u>	21,454 (1) 10 (2) 155,832 (7) 587,423 (8)	1,311,308
Total Operating Expenses	<u>\$4,074,877</u>	<u>\$1,739,884</u>	<u>\$1,718,619</u>	<u>\$4,096,142</u>
Total Patient Days	<u>30,884</u>	<u>-</u>	<u>-</u>	<u>30,884</u>

Total Beds 85

CHEROKEE COUNTY LONG TERM CARE FACILITY
Adjustment Report
Cost Report Period Ended June 30, 1997
AC# 3-CKC-F7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 251,700	
	Cost of Capital	21,454	
	Accumulated Depreciation		\$ 83,262
	Fund Balance		168,438
	Nonallowable		21,454
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Bonds Payable	78,399	
	Notes Payable	60,244	
	Cost of Capital	10	
	Current Portion of Long Term Debt		78,399
	Fund Balance		60,244
	Nonallowable		10
	To adjust debt and related interest to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Fund Balance	104,470	
	Loan Cost		91,991
	Cost of Capital		12,479
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	16,547	
	Cost of Capital		16,547
	To adjust depreciation expense and loan cost amortization to comply with capital cost policy State Plan, Attachment 4.19D		
5	Nonallowable	20,194	
	Medical Supplies		20,194
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

CHEROKEE COUNTY LONG TERM CARE FACILITY
Adjustment Report
Cost Report Period Ended June 30, 1997
AC# 3-CKC-F7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	6,140	
	Medical Supplies		59
	Special Services		6,081
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
7	Restorative	4,003	
	Dietary	33,744	
	Housekeeping	30,952	
	Maintenance	17,950	
	Utilities	101,890	
	Taxes and Insurance	6,920	
	Other Income		33,744
	Nursing		5,533
	Medical Supplies		350
	Nonallowable		155,832
	To reverse provider allocation of cost to non-reimbursable cost centers and reverse offset of meal income HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Dietary	275,189	
	Laundry	8,983	
	Housekeeping	37,897	
	Maintenance	145,121	
	Administration	98,372	
	Legal	129	
	Utilities	4,485	
	Taxes and Insurance	619	
	Cost of Capital	16,628	
	Nonallowable		587,423
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

CHEROKEE COUNTY LONG TERM CARE FACILITY
Adjustment Report
Cost Report Period Ended June 30, 1997
AC# 3-CKC-F7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	889,596	
	Restorative		3,404
	Dietary		290,428
	Laundry		8,985
	Housekeeping		96,990
	Maintenance		183,251
	Administration		117,408
	Legal		150
	Utilities		116,938
	Taxes and Insurance		11,922
	Medical Supplies		1,693
	Cost of Capital		58,427
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Cost of Capital	3,061	
	Nonallowable		3,061
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$2,234,697</u>	<u>\$2,234,697</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CHEROKEE COUNTY LONG TERM CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 1997
AC# 3-CKC-F7

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>44</u>	<u>41</u>	
Deemed Asset Value	1,499,036	1,396,829	
Improvements Since 1981	406,077	75,991	
Accumulated Depreciation at 6/30/97	<u>(736,574)</u>	<u>(362,180)</u>	
Deemed Depreciated Value	1,168,539	1,110,640	
Market Rate of Return	<u>0.067</u>	<u>0.067</u>	
Total Annual Return	78,292	74,413	
Return Applicable to Non-Reimbursable Cost Centers	(14,683)	(18,670)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>306</u>	<u>33,304</u>	
Allowable Annual Return	63,915	89,047	
Depreciation Expense	32,700	81,536	
Amortization Expense	-	3,785	
Capital Related Income Offsets	(19)	(10,838)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(6,435)</u>	<u>(51,992)</u>	<u>Total</u>
Allowable Cost of Capital Expense	90,161	111,538	\$201,699
Total Patient Days (Actual)	<u>15,979</u>	<u>14,905</u>	<u>30,884</u>
Cost of Capital Per Diem	\$ <u>5.64</u>	\$ <u>7.48</u>	\$ <u>6.53</u>

CHEROKEE COUNTY LONG TERM CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 1997
 AC# 3-CKC-F7

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$1.72	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.71</u>	<u>\$7.48</u>
Reimbursable Cost of Capital Per Diem		\$6.53
Cost of Capital Per Diem		<u>6.53</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>